

Production of Iron and Steel in Communist China Compared
with Japan, France, and the UK

1. The iron and steel industry of Communist China is much smaller than the iron and steel industries of Japan, France, and the UK, as shown in the attached table. China is the world's 8th largest producer of crude steel, with an output comparable to that of Italy, Canada, Poland, Belgium, and Czechoslovakia. Japan is the 3rd largest producer of crude steel in the world, exceeded only by the US and the USSR, while the UK is 5th and France is 6th.

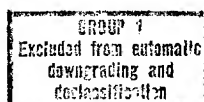
2. Communist China is self-sufficient in the production of both iron ore and coking coal. Japan imports over 90 percent of its iron ore and almost all of its coking coal. France is self-sufficient in iron ore but also imports almost all of its coking coal. The UK produces its own coking coal but imports over 50 percent of its iron ore. In terms of finished steel, however, only Communist China among these four countries is a net importer, purchasing several hundred thousand tons a year, mainly from Japan. In 1965 Japan exported 9.4 million tons of finished steel, France 6.5 million tons, and the UK 3.9 million tons.

3. In addition to the positions of these four countries in basic raw materials, there are other factors that affect the relative strengths and weaknesses of their iron and steel industries.

a. Communist China -- In the past Communist China acquired much of the equipment to build its iron and steel industry, especially steel finishing facilities, from the USSR and Eastern European Communist countries. Since the Sino-Soviet split in 1960, this source of supply has been cut off, and Communist China itself has not been able to produce this kind of equipment. Any further expansion of the industry will require additional imports of finishing facilities, and these imports probably will be available to China only from countries of the Free World. At the present time China is trying to purchase a large number of various kinds of finishing mills from a Western European consortium led by Demag of West Germany. China is also dependent upon imports of nickel, chromium, and cobalt -- alloying materials essential to produce many of the higher-quality alloy steels.

b. Japan -- In spite of its poor domestic resource base, Japan has been remarkably successful in building a large, modern, and efficient iron and steel industry. Because of adequate world supplies of iron ore and coking coal, Japan has encountered no

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difficulty in meeting its needs for basic raw materials through imports. The location of the industry on or near the sea coast enables Japan to benefit from cheap water transportation rates. Most of the industry, built since World War II, is relatively modern, and much of the equipment was either purchased from Free World countries or engineered for Japan by Free World firms, principally US. Japan's exports of 9.5 million tons of rolled steel in 1965 ranked it with West Germany and Belgium-Luxembourg as world leaders in exports of steel products.

c. France -- France is the world's 3rd largest producer of iron ore and a major exporter. Because of the increasing competition of low-cost iron ore from other countries, however, French exports of ore have been declining in recent years and domestic production has been cut back. France has recently imported small quantities of high-grade iron ore.

d. UK -- In recent years economic considerations have influenced a shift in the relative use of domestic and imported raw materials in the UK. High grade iron ore is now available on world markets at prices competitive with domestic ore, and in 1964-65 imports of iron ore accounted for more than half of total consumption. The UK has continued to use primarily domestic coking coal and has restricted the importation of foreign coal. Some industry spokesmen, however, advocate liberalization of import laws in order to take advantage of current favorable prices for coking coal on world markets, including coal from the US.

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Production of Steel Industry Products in Communist China, Japan,
France, and the UK, 1962-65

<u>Millions of Metric Tons</u>				
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Metallurgical Coke				
China	6.6	6.8	7.1	7.8
Japan	10.9	11.3	12.9	0
France	13.8	13.7	14.3	13.7
UK	15.8	15.7	17.1	17.3
Iron Ore				
China	18.4	20.4	22.5	24.8
Japan	2.6	2.4	2.5	2.5
France	66.3	57.9	60.9	59.5
UK	15.5	15.2	16.6	15.7
Pig Iron				
China	9.0	10.0	11.0	12.0
Japan	18.0	19.9	23.8	27.5
France	14.0	14.3	15.9	15.8
UK	13.9	14.8	17.6	17.7
Crude Steel				
China	8.0	9.0	10.0	11.0
Japan	27.5	31.5	39.8	41.2
France	17.2	17.6	19.8	19.6
UK	20.8	22.9	26.7	27.4
Rolled Steel				
China	5.7	6.4	7.1	7.8
Japan	22.3	25.6	31.9	33.4
France	13.6	13.7	15.6	15.7
UK	15.7	17.2	20.2	20.8

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Remarks: S-2252. 1. The attached is in response to two questions from Congressman Bell.			
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